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SOME PROBABLE RESULTS OF A BALANCED INDUSTRIAL SYSTEM

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Where several things have to be combined in order to get a certain result, the question of the ratio in which they combine most satisfactorily can never be without interest. Wherever they are actually combined in the most satisfactory ratios there is said to be a balance among them. Thus, the scientific dietitians and the cattle feeders speak of a balanced ration when the nutritive elements are combined in such ratios as to secure the most satisfactory results. Soil chemists and farmers speak of a balanced soil when the different elements of plant growth are combined in such ratios as yield the largest crops. A scientific manager will speak of a balanced business when all the elements or factors in the entire business are combined in such ratios as will give the maximum productivity. Not enough attention has been given to the necessity of carrying this idea of balance throughout the whole nation, or the whole industrial system, balancing every industry against every other, and every element or factor in every industry against every other. The statesman and the economist should be as definitely interested in this larger problem of balance as the various experts already named are in their own special problems of balance.

Some approximation to the idea of such a balance is found in the concept of the static state, on the one hand, or in the concept of the equilibrium of demand and supply on the other. Neither is quite complete, however, because of the general acceptance of the fact that the normal price-making process tends to bring about a quasi-equilibrium between the forces of demand and supply. Perhaps it would be more accurate to say that there is a tendency to accept this quasi-equilibrium as a real equilibrium, or as a state of balance. We are accustomed to speak of an equilibrium price as a price which will bring about an equilibrium between demand and supply, by inducing buyers to buy exactly as much as sellers are willing to sell. No matter how unsatisfactory the price may be from various other points of view, if it will bring about this result, it is said to be the equilibrium price. Not until the price which brings about this kind of equilibrium is a satisfactory price from the general social point of view can there be said to be a true equilibrium or balance.

It is true, on the other hand, that however satisfactory a price may

be from other points of view, if it does not result in an equilibrium of demand and supply, if it does not induce buyers to buy as much as it induces sellers to sell, and sellers to sell as much as it induces buyers to buy, it can not be a satisfactory price. To establish a price which, on other grounds, might be called a just price, but which would induce buyers to buy more than sellers were induced to sell, or sellers to sell more than buyers were induced to buy, would throw the market into confusion, would waste a great deal of productive energy, throw the whole industrial system out of balance, and lead to worse evils than it was designed to cure. In fact, it would be applying the remedy to the symptoms of the disease and not to the cause. The price must be an equilibrium price, whatever else it is or is not.

While the price must, first and foremost, be an equilibrium price, it must also, so far as possible, be a satisfactory price from other points of view. The mere fact that it is an equilibrium price does not necessarily mean that it is or is not a satisfactory price in other respects. When the market is truly or properly balanced, every price will not only be an equilibrium price, it will also be a just and a satisfactory price. For example, a very low price for a certain article may result in an equilibrium, temporarily at least, between demand and supply; that is, at the low price, producers may still be willing to produce as much as buyers care to buy even at that low price, notwithstanding the producers may be impoverished by the low price. To be sure, if you give them time enough, some of them will probably go out of business, others will change their occupation, and still others will die off. This may eventually reduce the supply and bring the price up to a satisfactory level for those who remain in the business. Meanwhile there is hardship. From the point of view of this paper there was not a proper industrial balance when the price was low, in spite of the fact that the market showed an equilibrium of demand and supply. After production was reduced and the supply was diminished until the price, which was still an equilibrium price, became also a satisfactory price from the point of view of the welfare of all concerned, there was then a true economic balance.

Again, to be more specific, the price, or wages, of a certain kind of labor may be an equilibrium price in that it induces as many men to offer themselves for hire as employers care to hire, and yet the price may be so low as to leave the laborers exceedingly poor. A low standard of living among them may make them perfectly willing to reproduce their kind in sufficient numbers to keep up the labor supply even at the low wages, or there may be, in some part of the world, a reser-

voir of cheap labor which will be glad to migrate in order to get the low wages offered; the educational system may be so ineffective that the children of the poor have no choice other than to accept employment in the poorly paid occupation; or some of the other factors of production may be so scarce as to reduce the opportunities for the productive use of this class of labor. In any or all of these cases, the equilibrium of the demand for the kind of labor in question and its supply may be maintained indefinitely in spite of the fact that its wages are unsatisfactory from the social point of view.

Even in this case, whatever the wages are or are not, they must be an equilibrium wage. To decree otherwise would create worse evils than it would cure. To decree higher wages for all comers would encourage still earlier marriages and larger families, or it would stimulate still greater immigration, or in some other way induce larger numbers to offer themselves for hire in the industries in question. At the same time it would not induce employers to hire so many as at the lower wages. The result would be that while a certain number of laborers would gain a slight advantage through the rise in wages yet industry would either be cluttered up by a great surplus of such laborers who would get in one another's way, or some of them would suffer the great disadvantage of failing to get employment at all. To decree higher wages, in such a case, is to apply the remedy to the symptom of the disease and not to the cause.

If, however, the supply of labor of the grade in question could be materially reduced, or the opportunities for employment increased, either by raising the standard of living, so that laborers would not be willing to reproduce their kind and keep up the supply of labor on so low a wage, by the restriction of the immigration of that grade of labor, by an improved system of popular education so that the children of those laborers already in the overcrowded occupation could have the opportunity of choosing a less crowded and better paid occupation, or by increasing the other factors of production which have to be used with the kind of labor in question, the equilibrium price of that grade of labor would rise. That is to say, it would then take a higher wage to induce as many men to offer themselves for hire as employers would be willing to hire. We should still have an equilibrium wage, and at the same time a wage that would be more satisfactory from every point of view. In short, we should then be applying our remedy to the cause rather than to the symptom of the disease.

A possible way out of the difficulties certain to arise from the attempt to apply the remedy to the symptom rather than the cause, that

is, of trying to decree high wages before readjusting the balance, would be to decree the high wages first and then reduce the supply of labor afterward. This could be done, first, by admitting only as many immigrant laborers of the grade in question as could get work at the higher wage, second, by permitting only as many native-born laborers to work as could get work at the higher wages, encouraging the surplus to emigrate, to go to the almshouse, or to go to school to learn a new trade in which wages are better, or third, by increasing the other factors, such as land, capital, and other kinds of labor needed to balance up the oversupply of the kind of labor in question. The decree of high wages might thus be made effective by balancing up the labor market. It should be remembered, however, that if the labor market had been balanced up first, the decree would have been unnecessary, because there would have been high wages anyway without the decree.

By a balanced industrial system is meant a system in which every essential industrial function is as well and as adequately performed as every other. This means a system in which it is as important that one factor of production be increased as any other factor. If in a given factory there are so many men doing one kind of work, and so few doing another kind, that a larger gross product would result if one man could be transferred from the one kind of labor into the other kind, the industry is not well balanced. Another way of stating it would be to say that if it would add more to the gross product if one more man could be added to one part of the working force than if one more man were added to another part of the working force, then the working force is not well balanced. It is this perception of the greater desirability of having one more man rather than one less man in one part of the force than in another part that will induce the manager to pay higher wages to the one part of the force than to the other. To be sure, if he can get one kind of labor cheaper than another that will be a sufficient reason why he should hire more of the one kind than of the other. The price or wages in each class is a means of producing an equilibrium of demand and supply in each case; but, as already shown, the equilibrium of demand and supply which results from this kind of price adjustment is not a true economic balance.

To use more technical language, there can be no true economic balance unless the marginal productivity of labor is approximately the same in each and every occupation. When the marginal productivity is the same in different occupations, the equilibrium wage in the dif-

ferent occupations will be approximately the same. There is thus an equilibrium of demand and supply, but the forces determining that equilibrium are such as to give approximately equal wages to every class of workers, not even excepting managerial workers.

Care has been taken to speak of different occupations or different classes of workers, and no statement has yet been made regarding the wages of individual workers in the same occupation. So long as one occupation is as remunerative as any other, or one class of laborers as well paid as any other, there may be said to be an equilibrium or balance as between occupations. If within the same occupation there are differences in strength, skill, intelligence, or general efficiency, that is an individual affair which no social policy can affect. If one bricklayer can lay twice as many bricks as another, there is an undoubted difference in productivity that no social or economic law can affect or modify. But if brick masons are neither more nor less numerous in proportion to the need for them than are the members of any other trade or profession, then brick masons as a class should be neither more nor less prosperous than any other class, trade, or profession. There might still be great differences in the prosperity of different individual brick masons as between the individual members of any trade or profession.

This is a matter of some importance, because it seems to be a law, or at least a general tendency, for individual differences to count for more as you proceed from the less skilled to the more skilled occupations. The differences in the productivity and the value of individual ditch diggers, while considerable, is by no means so great as among skilled laborers, and these differences, of course, are greatest of all in the intellectual and artistic callings. Since we usually focus our attention upon the individuals who are conspicuous successes in these callings, rather than upon the numerous failures, we are likely to get exaggerated notions of the differences in the prosperity of different occupations. However, such differences as exist are due to a lack of balance in the industrial system.

Since equality of prosperity is the first sign or symptom of a balanced industrial system, as inequality is of an unbalanced system, the first and most conspicuous result of a balanced system has already been stated. It is the approximate equality of prosperity as between different industrial classes or occupational groups. But this does not exhaust the catalogue of results.

Incidentally, and as a part of the equalizing process, there would be an equalizing of the bargaining power of different groups, notably that

of the capitalists and the laborers. Freedom to bargain for oneself is sometimes said to mean the freedom to starve. That can be true only when the industrial system is unbalanced. We have frequently been regaled with a list of reasons why the capitalist is always and necessarily at an advantage in the bargaining process. Observation does not show that the capitalist as such has any advantage except when labor is oversupplied. When there is a dearth of labor and a plethora of capital the advantage is invariably on the other side. When men are hunting for jobs and employers are not hunting for men, but merely taking their pick among the men who are applying, the advantage is obviously on the side of the employer; and for no obscure or occult reason. When, however, employers are hunting for men and men are not hunting for jobs, but only taking their pick among the jobs that are offered, the advantage is just as obviously on the side of the laborer, and for the same reason that it was on the side of the employer under the other conditions.

A by-product of this balanced condition is that laborers need none of those special aids or helps in bargaining that most of us have tolerated, and some have advocated in the past. With bargaining power equalized, as it would be under a balanced industrial system, the individual of whatever class, trade, or occupation can be his own master and make his own arrangements, bargains, or voluntary agreements with other individuals, retaining his freedom and prospering under it. Under such conditions freedom would never mean the freedom to starve. No one would need to surrender his freedom in order to prosper, nor his prosperity in order to be free. He could have both freedom and prosperity,—two good things,—and it is certainly better to have both than either one without the other.

Another result would be to make most of our social legislation unnecessary. Neither the laborer nor anybody else would need the state or any paternalistic organization to safeguard his interest beyond protecting him against violence and fraud. When every man can take his pick among several jobs, the job that provides the best working conditions would attract him, and the competition of employers for men would compel them to offer satisfactory conditions in order to get and hold an adequate number of laborers.

One of the most important of all the results would be the participation of labor in the management of industry, on a purely voluntary basis, without threats, or any kind of compulsion on its part. If you were about to start a business enterprise and were casting about for the different factors of production, you would offer special terms to

that factor that was hardest to get. If you discovered that there was an abundance of labor looking for jobs, and felt certain that as soon as you were ready to use labor there would be plenty of laborers on hand asking you for jobs, you would not worry on that score. You would give the problem of getting help no second thought. If, on the other hand, you found that capital was not forthcoming in the same way, that capitalists were not thrusting capital upon you, that they all had plenty of other uses for their capital and would not let you have it unless you offered better terms than other opportunities were offering, you would be compelled to worry somewhat over the question of capital. In fact, you would go to those who had it, and offer them terms, or accept such terms as they laid down. They would be in a position to demand some voice in the control of your business, and you would be compelled to grant their demand. Now, if this condition could be reversed, or only considerably changed in the direction of a better balance, you would be just as likely to give the laborers as the capitalists a voice in the management of the business.

If, to take an extreme case, there were so much capital seeking investment as to make you certain that as soon as you could use it some one would be on hand to offer it to you, but if labor were so scarce and hard to find as to make you feel uncertain whether you could get any or not, your anxiety would be on the side of labor and not on the side of capital. You would have to go to laborers and persuade them to take your job rather than some others that were open to them. Under such circumstances, you would have to accept their terms, even if they included a voice in the management of the business.

Even now, it sometimes happens that the enterpriser needs some special kind of labor, technically trained or possessing special skill, which is very hard to find. Men possessing this skill are not looking for jobs, they all have good jobs, with others waiting for them. When your enterpriser goes after such men he is very likely to offer them whatever they demand, even though it be a voice in the management of the business. He will do the same with any and every kind of labor that is scarce enough.

The indispensable man can generally get what he wants, the superfluous man must take what he can get. When a man is as nearly indispensable in one occupation as in any other, or no more nearly superfluous in one than in any other,—in short, when there is an industrial balance, power as well as prosperity will be diffused.

That power as well as prosperity comes to those who follow an occupation where workers are scarce and hard to find, can be shown by

hundreds of illustrations, ranging all the way from cooks to capitalists. That neither power nor prosperity comes to those who follow an occupation where men are abundant and easy to find can be shown by equal numbers of illustrations, ranging all the way from ribbon clerks to preachers.

One of the means of creating a balanced industrial system is undoubtedly an effective system of popular education. One of its chief functions, in an unbalanced industrial system, is to train people so that they may avoid the overcrowded and poorly paid occupations and enter the undercrowded and well paid occupations. Every time a man is so trained, there is one less man who must work in an unskilled and overcrowded occupation, and one more man who can enter a skilled or learned occupation. Every such case helps to create a proper balance and the more such cases there are the more speedily will such a balance be created.

Lest some one object that even the skilled and learned occupations are as badly overcrowded as the unskilled manual trades, let me point out again how easily one may be deceived by the equilibrium of demand and supply as brought about by the equilibrium price. If one has the preconceived idea that ten thousand a year is about a proper income for a business or a professional man, whereas two thousand a year is quite enough for an unskilled laborer, one may easily reach a false conclusion. When one finds that it is about as hard for a business or professional man to get an income of ten thousand as it is for an unskilled laborer to get two thousand, one may conclude that business and the professions are as badly overcrowded as are the unskilled trades. This false conclusion is based on the false assumption that any income is proper for one class that is not equally proper for any other class, barring differences in the cost of acquiring the necessary skill. When we get rid of this false assumption we shall see that two occupations are not equally overcrowded until prosperity is equalized between the two. To equalize prosperity, however, would require that there should be enough difference in incomes during the working years to compensate for the difference in the cost, in time and money, of acquiring the necessary skill. If the differences of income are greater than this it argues that the occupation with the smaller incomes is worse overcrowded than the one with the larger incomes.

But what would happen to our educational system after the industrial system was once balanced up? It is obvious that one of its functions, namely, that of balancing up the system, would have been performed, and to that extent it would seem to have made itself un-

necessary. On the other hand, it would be truer to say that it would then have been relieved of the burden of having to perform one of its functions and would be free to devote its whole energy to the performance of the remaining functions. However, the necessity of preserving the balance already achieved, by counteracting any tendencies to throw it out of balance, would still remain. In general, however, the problem of redistributing our population, by training numbers of the rising generation to do more remunerative kinds of work than their fathers had done, without very much regard to their individual capacities, would not be so very acute, because there would be no more remunerative occupations. Educators could then consider the individual aptitudes of individual pupils, without much regard to the differences in the market values of different aptitudes, since there would be no great differences in the market values of different aptitudes. Under the unbalanced condition which most of us know, if a pupil shows a special aptitude for a kind of work which is being overdone and poorly paid, to train the pupil for that work would be to condemn him to poverty, and no conscientious educator would care to do that. He must, in fact, train the pupil for a kind of work which is reasonably well paid, and for which the pupil shows some aptitude, even though it be not the kind of work for which he shows the greatest aptitude. When all kinds of useful work are well paid, the educator's problem is greatly simplified.

To summarize, it is the opinion of the present writer that a balanced industrial system would produce four important results: First, it would equalize prosperity among different occupations, though not among different individuals within the same occupation. Second, it would equalize bargaining power as between classes of bargainers, though individual differences in bargaining power would remain. Third, it would tend to diffuse power as well as prosperity among all classes, giving those who follow one trade or occupation approximately as much control over business as would be possessed by those who follow any other occupation. Fourth, it would work a profound change in our educational system by relieving it of what is now one of its chief functions, namely, that of redistributing our population occupationally by training men to avoid the overcrowded and to seek the undercrowded occupations.

The significant thing about it all, however, is that all these results would be achieved without disturbing the institution of free contract, or voluntary agreement, as a basis of economic action, which is the fundamental characteristic of all free peoples, and against which most of the revolutionary propaganda of the day is being launched.